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REVIEWS

Government Regulation of Railway Rates: A Study of the Experience of the United States, Germany, France, Austria-Hungary, Russia and Australia. By HUGO RICHARD MEYER, Assistant Professor of Political Economy in the University of Chicago. New York: The Macmillan Co., 1905. Pp. xxvii+486.¹

The author is a decided opponent of state railway systems, and of all regulation of railways and railway tariffs by the government: "for it is the verdict of all experience that governments will not, and cannot, make railway rates that will meet the needs of expanding trade and industry" (p. xvii)—a most emphatic and very harsh verdict, which this professor (care should be taken not to confound him with Professor Balthasar H. Meyer, now railway commissioner of Wisconsin) attempts to prove from the experiences which Germany, Austria-Hungary, France, Russia, and Australia have had with government-made freight tariffs, and the United States with company-made tariffs. According to our author, we find, on the one hand, in the countries in which the state influences the tariffs, heavy shadows, dense mediæval darkness; while, on the other hand, the privately made tariffs of the United States reflect nothing but clear light, sparkling sunshine, which would beam still more brightly if the error had not been made in the United States of restricting the freedom of the exemplary railways through the enactment of the Interstate Commerce Act and the institution of the Interstate Commerce Commission. Part I of Professor Meyer's book, composed of eight chapters (pp. 1-203), depicts the pernicious effect of state railway tariffs, while Part II (pp. 203-473), portrays the magnificent, overwhelming economic results of the far-sighted tariff policy of the railways of the United States.

This is undoubtedly an entirely new conception—new not only to the German, but also to the American reader. It is seldom that

¹ Translation of a review by Dr. Alfred von der Leyen, of the Prussian ministry of public works, Berlin; published in the *Archiv für Eisenbahnwesen* for January-February, 1906.

an American has the opportunity of reading such a spirited song of praise regarding his own railways, and such a hard, depreciative judgment with respect to the work of the Interstate Commerce Commission, which is charged with the supervision of rates affecting interstate traffic by the Interstate Commerce Act of February 4, 1887.

It is a different question whether the author has succeeded in proving his case. This question is of greater interest to American than to German readers. During the winter of 1905 President Roosevelt himself launched a movement against the existing tariff policy of the American railways. The President has expressed the opinion that the tariff policy affects the common interests unfavorably; he regards it necessary that the federal government exercise a more effective supervision of these tariffs, and that the Interstate Commerce Commission receive enlarged powers over the railways. A bill embodying these views passed the House of Representatives, but not the Senate. In May and June, 1905, the Senate Committee on Interstate Commerce had extended hearings on the subject, and the testimony is published in five large volumes. The message to Congress of December, 1904, again called the attention of that body, in still more emphatic words, to the necessity of controlling railway tariffs through public authority. Whether the President will succeed remains to be seen. At all events, he has succeeded in greatly arousing public opinion, and has created anxiety on the part of the powerful railway managements. A rescuer has arisen for these railways in the person of Mr. Meyer, who, equipped with what has the appearance of a mighty scientific armament, attempts to show how objectionable the efforts of the government of his fatherland have been.

However, the first part of his book was written and published before President Roosevelt had advanced his views. Meyer's studies concerning state railway tariffs in European states and in Australia appeared between July 10 and October 9, 1903, in that excellent American publication, the *Railway Age*; also the chapter on Prussian tariff policy, concerning which the author deems it prudent to remain silent in his preface (p. ix). The short chapter on France (pp. 123-36) is new. If the author did not resolve until later to oppose the railway policy of his government, he naturally could make good use of these articles. In his testimony before the Senate committee, on May 4 and 5, 1905 (Vol. II, pp.

1552 ff. of the report), the author repeated much of what he had theretofore written in these articles.

If in the following review I enter upon details, more than would be necessary for German readers, regarding Professor Meyer's utterance with respect to state railway rate policy, I do so in the hope that these lines may also come under the observation of American readers. In my estimation it cannot be a matter of indifference to us that views like these, presented with great confidence and apparently resting upon thorough investigations, should take root in the United States. The railway questions which at present are agitating America have only academic interest for us.

Let us see upon what the author bases his derogatory verdict regarding the freight tariffs of the Prussian state railways. Not by the method of presenting to Americans the German tariff system, German basal rates, etc., and then attempting to prove that this system is an erroneous one; that rates are incorrectly established; that trade and industry generally suffer from these rates, and are incapable of adequate development, etc. Rather he contents himself with saying in two pages (pp. 3-5) that our freight rates are composed of two parts, terminal charges and movement expenses. The remainder of his discussion is intended to show, on the basis of a few examples taken from German, partially very prejudiced sources, that under such a system it is impossible to avoid conflicts between different branches of industry and industrial sections, and that the effective competition of railways with waterways is thereby prevented. The fundamental defect of Prussian rates, according to the author, is their lack of elasticity, that they are not constructed on a falling scale, and that they cannot be thus constructed in accordance with the accepted principles. However, on the same page on which the author advances this bold assertion he has the misfortune to cite Special Tariff III, *which is constructed on a falling scale*. In addition to these regular tariffs, as is well known, piece-goods rates and express-piece-goods rates are tapering rates; and there lies before me a compilation which shows that in May last there were not less than sixty-one commodity rates, including those for the most important bulky goods (wood, all kinds of raw material, fertilizers, ores, etc.), which were constructed on the falling scale; and carload rates on live stock are tapering rates. It is therefore a gross misrepresentation of facts when the author says:

And today in Prussia their introduction is opposed by two powerful forces. One of these is the Prussian government's fear of temporary or permanent loss of revenue; the other, the jealousy of the sectional interests and trade interests that are concerned about the preservation of the established course of trade and industry.

Among the examples of erroneous tariff construction which Meyer recites, the first is the cancellation of the tapering rates on grain, which were withdrawn in the year 1894 in order to make possible the ratification of the Russian treaty of commerce of that time. This example is chosen not without skill, since uncertainty existed then, and even today opinions differ with respect to the correctness of this procedure. But it proves nothing with respect to the inability of the state to make railway tariffs, because in cases where such complications of economic policy did not exist the older tapering grain rates were maintained (such as the graded mileage rates of the Prussian Eastern Railway); indeed, new tapering rates for the export of grain were introduced, which fact, however, was known to Professor Meyer. The second illustration he claims to find in the export rates on sugar. It is true that their adoption was preceded by extensive investigations, but nevertheless they were finally introduced, as he himself states on p. 15. And with this all his preceding assertions fall to the ground. On p. 16 he claims that the restriction on workmen's return tickets is connected with this question. Herein lies a remarkable misunderstanding. Meyer confuses the return tickets of laborers with the reductions in party tickets for the so-called season laborers who, it is true, are attracted in part by beet culture. But in both cases the question is one of beets. The reduced rates for the so-called season laborers have never been canceled. They exist today.

Then Professor Meyer takes up the question of the ore tariffs from Lorraine-Luxemburg to Westphalia. Before their introduction, too, difficulties had to be overcome, and the question was investigated very thoroughly; but finally, on June 1, 1901, they were introduced, *and this Mr. Meyer conceals*. And with this the entire edifice, constructed from material brought together from many sources, collapses. The author in his statements has confused fact and fiction to such an extent that it would require considerably more space to uncover his errors in detail than these through-and-through confused statements themselves occupy, and out of all of which only this remains true, that there are in Prussia, as in all

parts of the world, people who are dissatisfied with certain rates and desire reductions.

The second chapter is devoted chiefly to a discussion of the competition of railways and waterways. Professor Meyer considers it the duty of the railways to maintain the strongest possible competition with waterways. That this competition is not directed more strenuously against the Rhine, the Elbe, or the Oder meets with his disapproval; and he cannot understand why the railways should permit the natural waterways to carry an increasing tonnage; it is their duty, according to his views, to adjust their tariffs in such a manner that all freight is hauled by the railways and the waterways lie waste. Furthermore, the author cannot understand why the Prussian government does not favor the Prussian port of Stettin, by means of railway tariffs, in such a manner that it can compete more effectually than heretofore with Hamburg. On p. 45 he states:

While the Prussian government and the German people generally believe it a patriotic act to cut railway rates against foreign cities, such as Rotterdam, they would not approve any departure from their uniform system of rates for the purpose of strengthening one German city as against another.

Naturally, Meyer considers it equally absurd to construct a canal between Stettin and Berlin. It is entirely incomprehensible to him why the state railways did not prevent the deflection of a large part of the petroleum trade of Bremen to the waterways. It is not enough for him that low commodity rates on petroleum are in force from Bremen to southern and western Germany; although even these low rates are frequently met by the tank-ships via Rotterdam and the Rhine. This struggle for the petroleum trade should have led to the reduction of rates by rail also to the east, to Berlin, and to Magdeburg! In consequence of this mistaken rate policy the oil trade has been driven from Bremen to Hamburg.

That with such views Professor Meyer is a still more pronounced opponent of artificial waterways and of canal construction is not surprising. In the fourth chapter a short summary is given of the various attempts to carry a canal bill through the Prussian parliament during the last few years. He advances the same objections to the first two canal bills which were urged by opponents of canals with us. The fate of the last canal bill is not mentioned. No mention is made of the fact that in the elaboration

of this bill an attempt was made to overcome the objections of the opponents to the canal, and to incorporate provisions whereby the co-operation of rail and waterways was to be assured in the future for the general welfare. All these difficult questions have been thoroughly and exhaustively discussed within the last few years, in parliament as well as in the daily and technical press. Nor are they unknown to the American public. I need only to recall the fight for the improvement of the Erie Canal, the competition of the railways with the Great Lakes, and the plans for an artificial waterway from the Great Lakes to the Mississippi. In Germany and in Prussia this question has long been viewed from a higher plane, even during the time in which private railways still existed. The opinion has always obtained that the natural waterways had a right to exist alongside the railways. The interests of traffic in general have been rated higher than the exclusive financial interests of the railways. Whether or not the waterways have occasionally been favored too much is a question which I do not desire to discuss on this occasion. At all events, the railway traffic has developed substantially alongside the waterways; and, to put it mildly, it is gross exaggeration on the part of Professor Meyer when he maintains that the Prussian railways have been degraded into mere feeders for the waterways. But this question also is certainly not connected with the assumed inferiority of the state in making rates as compared with private enterprise! The illustration of the commodity rates on sugar which Professor Meyer presents proves exactly the opposite. Furthermore, the fierce wars of the American trunk lines for the grain trade on the Erie Canal are by no means a glorious page in the history of American railway tariffs.

The third chapter of Meyer's book deals with the financial policy of the Prussian railways, which are accused, by means of arguments well known here and amply refuted, of being operated too much in the interests of the state treasury. In this attempt—which is again highly characteristic of his entire method of proof—he joins the economic crisis of 1873 with the alleged mistaken financial policy of the year 1891 and following. He claims that, instead of obtaining great surplus earnings from the railways, it should have been the object of the administration to reduce rates, to extend the system, to increase the number of cars, and especially to purchase larger cars. Here we meet all the well-known asser-

tions which have occasionally been made by a few of our magnates, from whose arsenal Mr. Meyer secured his weapons. Professor Meyer passes in silence over the proof, brought forward time and time again in parliament and elsewhere, how greatly these charges have been exaggerated. Although otherwise apparently a diligent reader of the *Archiv für Eisenbahnwesen*, Professor Meyer has seen fit utterly to disregard the article published in the January number of the preceding year, on the development of the freight tariffs of the Prussian-Hessian state railways, in which these very questions were treated with great thoroughness, supported by a wealth of illustrative material.

These, in the main, are the arguments by means of which Professor Meyer attempts to prove the premises set forth in the opening chapter of his book. They are directed less against the tariffs than against the system of state railways as such. The author seems to occupy an entirely different viewpoint from ours, and it would be entirely superfluous were I in this place to take up with him the discussion of the question of the justification of the state railway system in Germany. For a long time there has been no difference of opinion in Germany that a state railway system deserves the preference over private railway systems. Professor Meyer apparently cannot realize that it is the duty of the state to administer the great monopolies of transportation as a unified system in accordance with the principle of the welfare of the great masses. The professor continually moves about in contradictions, declaring on one page that the state can make tariffs only with the yard-stick, and on the next criticising it for making certain exceptions. He also confuses his readers continually by rehearsing the difficulties which are encountered in adjusting certain tariffs in such a manner that they will be beneficial on the one hand, and not injurious on the other, and then carefully omitting to tell how the state has succeeded, in nearly every case cited by him, in arriving at a satisfactory solution—to be sure, only after a very careful investigation of all the circumstances entering into the situation. And whether this method of procedure, which may sometimes be a little tedious, deserves the preference over the practice obtaining in America, according to which the great railways judge economic questions chiefly by their own subjective estimates, and from the viewpoint of their own interest or that of favored shippers, is a matter with respect to which no German—and, I am convinced, not all American traffic men—are in the least in doubt.

The American reader may possibly be impressed with the many source-references and figures cited by Professor Meyer. One would think him, in consequence of this, uncommonly well read and an expert of a high order. But this appearance is deceiving. In the illustrations which have been given above I have been able to show how superficially Professor Meyer has done his reading. Here I may add a few further examples, picked up at random. On pp. 26 and 27 he states that the Society of German Railway Administrations is a union of officials of the various German state railways! Everybody knows that this society embraces all German, Austria-Hungarian, and several neighboring state railways as well as private railways. On p. 148 he asserts that Posen is a port situated on the Oder near the Galician border. The statement, on p. 358, that a Prussian minister, angered over certain transportation difficulties, had recently uttered the words, "Commerce be hanged," is simply a fabrication of the author.

In closing this review, I will take up the following example, which is especially characteristic of the method of work of this author. On p. 158 Professor Meyer states:

And within the city limits of Berlin one can count, and smell, upward of 14,000 cows, kept there to supply the population with milk that the railways are not allowed to bring from a distance.

The assertion is repeated in the following words on p. 387, after the author has described how the railways supply New York with milk and cream:

And in the year of our Lord 1902 the firm of Von Bolle was stabling within the city of Berlin 14,000 milch cows, which supplied milk to 50,000 families. In addition, there were in the suburbs of Berlin hundreds of dairies, each one stabling a considerable number of milch cows.

In the last citation the source from which Meyer claims to have taken his statement is given. It is the *Zeitung des Vereins deutscher Eisenbahnverwaltungen* of October 29, 1902. Now let us see what that paper says:

It is reported that the well-known dairy of Bolle in Berlin has a supply of 14,000 cows, which furnish daily about 85,000 liters of fresh milk to meet the demand of 50,000 households. Besides this, there are in the suburbs several hundred larger dairies which send their milk wagons into Berlin. Up to this point Professor Meyer has copied with tolerable accuracy, except that he states as a fact that which his reference merely states as a report. But his reference continues:

But this is not nearly enough. Millions of liters of milk are brought in from the open country, some of it from a great distance, principally by the railways.

Then follows a detailed description of the facilities which the railways have provided for bringing in milk, such as low rates, fast trains, convenient train schedules, reductions for sending back empties, etc.; and from these facts the conclusion is drawn that in this manner the public as well as the railways receive their just dues. *Yet all this Professor Meyer omits, although he certainly must have read this article.* He would have his readers believe that all Berlin is dependent on the milk produced in Bolle's dairies. It is his purpose to give a very striking illustration of the backwardness of Prussian freight rates. Having this in mind, it does not suit his convenience that just in this matter the Prussian railways have performed splendid service; and since the evidence does not support his line of argument, *he suppresses the facts which do not suit him.* As a matter of fact, of the 250,000,000 liters of milk which were consumed in Berlin in the year 1902, 44,700,000 were produced in Berlin, 25,400,000 were brought into the city on wagons, and 180,000,000 were brought in by rail. (*Statistical Year-Book of the City of Berlin*, 1903, p. 314.) We are also enabled to state more exactly the figures representing the number of dairy cows than the source from which Professor Meyer quotes. According to a special census, there were in 1902 in Berlin, Charlottenburg, Schöneberg, and Rixdorf together (not in Berlin alone) only 11,431 (not 14,000) milch cows, which produced the above mentioned 44,700,000 liters. The milk that came by rail originated at 216 stations, of which 198 are in the province of Brandenburg, 11 in the province of Saxony, etc. Further details Professor Meyer may read in the official statistics of the city of Berlin, Vol. I, 1903. According to these statistics, he has turned the facts upside down, deliberately, in order to cause hilarity among his readers, if he has read the article; or he read only the first sentence of his reference. In either case this is a method of procedure which one has a right not to expect in a *scientific* book.

I can pass over more lightly the following chapters. The French tariffs are faulty, according to Professor Meyer, because they make energetic competition against the waterways impossible. He claims that it is the duty of the railways of Austria-Hungary and of the regions of the lower Danube to transport agricultural

products of the east to Germany by means of low graded mileage rates. These railways, like the Russian, especially the Siberian Railway, ought to follow the example of the American railways; then the agriculture of the Danubian provinces and Siberia would blossom forth like that of the great American west (p. 177). In this Meyer overlooks the fact that eastern Europe and the German Empire are not a unified economic domain; and that European states still maintain, what is to him an entirely antiquated point of view, that the policy of customs duties and the freight-rate policy shall not negative each other. Professor Meyer, of course, maintains the direct contrary, when in another place (p. 340 ff.) he considers it utterly false that the Interstate Commerce Commission does not regard as permissible railroad rates which render nugatory the federal tariff legislation. It is unnecessary for me to point out that a comparison of Siberia with the Far West of the United States is ludicrous, except that I wish to use this as an example of Meyer's method. He claims that the Russian government has impeded the development of the grain industry in Siberia by a faulty policy of its state tariffs. On p. 178 he says:

Therefore it is worth while to recount what the Siberian peasant has been made to do under the incentive of gain, in the single instance in which the railways are free to co-operate with men of enterprise and capital in the development of Siberia's resources.

This, he claims, was the result of lower rates for the exportation of butter. Hence this same Siberian Railway is at one time an irrational state railway, and at another an intelligently operated private railway! And the best part of it all is that it was just the Russian government that has always promoted the dairy interests and the exportation of butter from Siberia in every way possible.

(The remainder of von der Leyen's review is devoted chiefly to Professor Meyer's comments on American conditions, closing with the following paragraph:)

I should regret it exceedingly if the very one-sided and, so far as our railway conditions come into consideration, often absolutely untruthful representations of Meyer's book should interfere with what seems to me a very wholesome movement on the part of the American government with respect to railway policy, and possibly to thwart the strivings of the President of the Union.

DR. A. v. D. LEYEN.